NO. 83-1827

IN THE

Supreme Court of the United States

OCTOBER TERM, 1983

SOWA & SONS, INC.,
Petitioner,

v.

AMERICAN HOIST & DERRICK CO.,
Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF FOR THE RESPONDENT IN OPPOSITION

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QUESTION PRESENTED FOR REVIEW

Whether the court of appeals' determination was correct that fatally defective instructions on the issues of fraud and obviousness mandated reversal of the trial court and remand for a new trial.

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STATEMENT OF THE CASE

Respondent herein corrects the erroneous and incomplete sections of the petition labelled PROCEEDINGS BELOW and STATEMENT OF THE CASE.

Petitioner totally fails to inform this Court that, after Respondent was accused of fraud and antitrust violations, it submitted the Shahan patent to the Patent Office for reissue over all art presented by Petitioner. The reissue

proceeding took place during discovery and trial below. Two of the three claims in suit were allowed over Petitioner's art in the first Office Action. The third claim was allowed after Respondent amended the claim to clarify the meaning of the word "diameter". At the present time, the reissue proceeding on the merits is complete.

Petitioner also fails to inform this Court that the court of appeals affirmed the trial court's dismissal of Petitioner's counterclaims under 15 U.S.C. § 1 and its counterclaims of monopolization and conspiracy to monopolize based on 15 U.S.C. § 2.

Petitioner conveniently neglects to inform this Court that the court of appeals reversed the jury's determination that the Shahan patent was procured by fraud.

Petitioner self-servingly characterizes the Shahan patent as "a simple mechanical patent", (Petition at 2 n.1), undoubtedly in the hope that it could persuade this Court that the invention does not merit a patent. There is little wonder that Petitioner failed to inform this Court that the Patent Office has decided *twice* that the invention of the Shahan patent merits the protection of the Patent Statute.

Petitioner's attempt to interest the Court in this case is based on a misstatement of the court of appeals' holding and a misstatement of the state of the law in the Ninth Circuit (Petition at 10-11).

The court of appeals did not hold that it was error to submit the question of obviousness to the jury in the form of a general verdict. Rather, the court of appeals held that, "Because of erroneous jury *instructions* and because there exist disputed issues of fact, we vacate and

remand for a new trial." *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1352 (Fed. Cir. 1984) (hereinafter *"Amhoist"*) (emphasis added).

The state of the law in the Ninth Circuit with respect to relevant market as an element of a claim of attempted monopolization is uncertain. The antitrust issues in this case, predicated solely on alleged fraudulent procurement of a patent and attempted enforcement of a patent, can in no way be characterized, as Petitioner does, as "non-patent issues".

Respondent respectfully submits that the petition presents no substantial basis for this Court to review the Federal Circuit's decision.

REASONS WHY THE WRIT SHOULD BE DENIED

I. THE FEDERAL CIRCUIT HAS NOT CREATED A CONTROVERSY WITH THE NINTH CIRCUIT WITH RESPECT TO ANTITRUST CLAIMS BASED ON A CLAIM OF FRAUD ON THE PATENT OFFICE.

An antitrust cause of action predicated solely on attempted enforcement of an invalid patent which was procured by the deliberate and knowing commission of fraud on the Patent Office can hardly be characterized as a cause of action "unrelated to the patent" or a "non-patent issue".

Petitioner admits that the district court "applied long-recognized principles of law in the Ninth Circuit Court of Appeals on both patent and non-patent issues", (Petition at 16), yet fails to account for the fact that the

district court dismissed its antitrust and unfair competition counterclaims on summary judgment. The district court dismissed those claims based on the fact that, as a matter of law, no fraud existed that was material to the issuance of the claims in suit. The Federal Circuit affirmed the district court's dismissal of Petitioner's counterclaim under 15 U.S.C. § 1 and its counterclaim of monopolization and conspiracy to monopolize under 15 U.S.C. § 2 based on the petitioner's refusal to allege and offer evidence on relevant market. It reversed the summary judgment dismissal of the Petitioner's attempt-to-monopolize counterclaim because the Petitioner may have been misled by Ninth Circuit precedent. *Amhoist*, 725 F.2d at 1367.

The Federal Circuit has not *created* a controversy. The controversy existed, and still exists within the Ninth Circuit as to whether proof of relevant market is necessary in an attempt-to-monopolize cause of action. The Ninth Circuit itself has acknowledged that proof of relevant market is essential. *Mayview Corp. v. Rodstein*, 620 F.2d 1347, 1356 (9th Cir. 1980); *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986, 993 n.13 (9th Cir. 1979), *cert. denied*, 444 U.S. 1025 (1980); *Cataphote Corp. v. DeSoto Chemical Coatings, Inc.*, 450 F.2d 769, 772 (9th Cir. 1971), *cert. denied*, 408 U.S. 929 (1972); *Bolt Associates, Inc. v. Rix Industries*, 178 U.S.P.Q. 171, 172 (N.D. Cal. 1973). *See also General Communications Engineering, Inc. v. Motorola Communications & Electronics, Inc.*, 421 F. Supp. 274, 286 (N.D. Cal. 1976), for a history of the erosion of *Lessig v. Tidewater Oil Co.*, 327 F.2d 495 (9th Cir.), *cert. denied*, 377 U.S. 933 (1964).

Review of these cases makes Petitioner's bald statement, that the "Ninth Circuit Court of Appeals has un-

ambiguously and repeatedly held that 'relevant market' is not a necessary element" of § 2 Sherman Act monopolization claims, (Petition at 19), disengenuous, at best. The Ninth Circuit has specifically relied on *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172 (1965) for the holding that " 'the enforcement of a patent procured by fraud on the Patent office may be violative of § 2 . . . provided the other elements necessary to a § 2 case are present.' " *Clipper Express v. Rocky Mountain Motor Tarriff Bureau, Inc.*, 690 F.2d 1240, 1260 (9th Cir. 1982), *cert. denied*, ____U.S.____, 103 S.Ct. 1234 (1983).

Petitioner tells this Court that *Northrop Corp. v. McDonnell Douglas Corp.*, 705 F.2d 1030 (9th Cir. 1983), *M.A.P. Oil Co. v. Texaco, Inc.*, 691 F.2d 1303 (9th Cir. 1982), and *William Inglis & Sons Baking Co. v. ITT Continental Baking Co.*, 668 F.2d 1014 (9th Cir. 1981), unequivocally state that relevant market is not a necessary element in an attempt-to-monopolize case. *Northrup Corp.* actually states:

> Although this court has periodically stated that dangerous probability of successful monopolization is also an indispensable element, . . . there is also Ninth Circuit authority for the view that probability of success is merely circumstantial evidence of intent. . . . We need not add further fuel to the controversy by adding our opinion regarding the inquiry's proper significance, because . . . there was sufficient evidence of . . . probability of success to avoid summary judgment.

705 F.2d at 1057-58. This passage hardly represents an unequivocal statement.

M.A.P. Oil Co. actually holds, "While *Lessig* and its progeny do not require proof of market power to establish a claim of intent to monopolize, under the facts of this case we agree with the trial court that failure to define the relevant market was fatal to plaintiffs' attempt claim." 691 F.2d at 1309. This passage hardly represents an unequivocal statement that relevant market is not a necessary element of an attempt claim.

William Inglis also recognizes the state of flux in the Ninth Circuit with regard to the necessary elements of an attempted monopolization. 668 F.2d at 1027. In its "current state" the Ninth Circuit recognizes dangerous probability of success as an element of the offense. *Id.* "However, the proper significance of this . . . element 'has been controversial, even within this circuit.' " *Id.* at 1029.

This is not a case where there has been a "mere joinder of a patent claim in a case whose gravamen is antitrust." (Petition at 15 n.2). Nor is it a case wherein the court of appeals has created controversy (Petition at 20-21). The petition should therefore be denied.

II. THE DECISION BELOW IS IN ACCORD WITH 35 U.S.C. § 282 WHICH PLACES THE BURDEN OF PROVING INVALIDITY ON THE PARTY ASSERTING INVALIDITY.

Petitioner has totally mischaracterized the Federal Circuit's opinion with respect to the presumption of validity and the burden of proof.[1] Additionally, it cites cases to

1. Petitioner attempts to influence this Court to grant its requested petition by characterizing the Federal Circuit as having "disrespect" for the opinions of this Court. (Petition at 22 n.3.)

this Court which do not stand for the proposition it sets forth.

In this case, the Federal Circuit held that the burden of proving invalidity always rests on the party asserting invalidity. *Amhoist,* 725 F.2d at 1360. The Federal Circuit has not put an "intolerable burden" on the party asserting invalidity, but has only restated a burden placed upon that party by Congress. 35 U.S.C. § 282. The Federal Circuit acknowledged that, "new prior art not before the PTO may so clearly invalidate a patent that the burden is fully sustained merely by proving its existence and applying the proper law. . . ." *Amhoist,* 725 F.2d at 1359-60. This is in direct contradiction to what Petitioner has stated that the Federal Circuit has done (Petition at 27-28).

Petitioner also cites six cases standing for the proposition that if the most pertinent prior art was not before the patent examiner, the burden of proof shifts to the patentee to establish validity (Petition at 23-24). The *only case* standing for such a proposition is the *only Ninth Circuit case cited, Penn International Industries, Inc. v. New World Manufacturing Inc.,* 691 F.2d 1297 (9th Cir. 1982). In none of the other five cases cited by Petitioner did the court of appeals allow the burden of proof to shift to the patentee to prove validity. To state, as Petitioner does, that, "Most of the other circuits"

Such tactics show the total lack of merit of Petitioner's position. Far worse, however, are Petitioner's "quote cropping" tactics. The Petitioner fails to point out that, in the same paragraph quoted by Petitioner, the Federal Circuit criticizes itself (the CCPA) for erring in the use of the term "technical fraud" and adopts the meaning used by the Supreme Court in Walker Process.

recognize that the burden of proof shifts to the patentee, is flatly untrue (Petition at 23).[2]

No conflict with the Constitution exists in this case. The Federal Circuit properly found that the district court erred in placing the burden of proving validity on the patentee and that the error was reversible. The Federal Circuit's opinion does absolutely nothing to emasculate the constitutional standard of invention unless 35 U.S.C. § 282 is unconstitutional—a proposition not advanced by Petitioner in its brief. The Petition should therefore be denied.

III. THE DECISION BELOW DOES NOT AFFECT PETITIONER'S RIGHT TO A TRIAL BY JURY.

The district court's decision was not reversed based on the use of a general verdict rather than special interrogatories. Respondent, as Appellant below, did not seek reversal on that ground. Because Respondent sought a remand for a new trial, it requested that, on remand, special interrogatories be submitted to the jury.

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2. The CCPA, First, Fourth, Fifth, Seventh, Eighth and Eleventh Circuits have specifically stated that the burden of proof remains on the party asserting invalidity. General Motors Corp. v. I.T.C., 687 F.2d 476, 482 (C.C.P.A. 1982), cert. denied, _____U.S._____, 103 S.Ct. 729 (1983); Spound v. Mohasco Industries, Inc., 534 F.2d 404, 409 (1st Cir.), cert. denied, 429 U.S. 886 (1976); Tights, Inc. v. Acme-McCrary Corp., 541 F.2d 1047, 1053-54 (4th Cir.), cert. denied, 429 U.S. 980 (1976); Baumstimler v. Rankin, 677 F.2d 1061, 1066 (5th Cir. 1982); Chicago Rawhide Manufacturing Co. v. Crane Packing Co., 523 F.2d 452, 457-58 (7th Cir. 1975), cert. denied, 423 U.S. 1091 (1976); E. I. duPont de Nemours & Co. v. Berkley & Co., 620 F.2d 1247, 1266 n.30 (8th Cir. 1980); Manufacturing Research Corp. v. Graybar Electric Co., 679 F.2d 1355, 1360-61 (11th Cir. 1982).

The Federal Circuit did not, as Petitioner claims, "hold that it was error to use a general verdict in the instant case." (Petition at p. 32). The Federal Circuit merely held that the instructions given to the jury on the obviousness and fraud issues were fatally defective.

With respect to the instructions to the district court on remand concerning fraud, the jury is to determine the degree of materiality, if any, of certain prior art, and the degree of intent to commit fraud, if any. The Federal Circuit in this case, is commenting on a difficult area of patent law. The Federal Circuit has recognized that fraud on the Patent Office is distinct from common law fraud and requires a careful balancing of materiality and intent. Petitioner does not refute this fact. *Amhoist,* 725 F.2d at 1363-64; *Digital Equipment Corp. v. Diamond,* 655 F.2d 701, 708, 716 (1st Cir. 1981). The Federal Circuit fully considered and correctly decided the fraud issue.

Nevertheless, Petitioner's argument is without merit whether or not the Federal Circuit's pronouncements are correct. Petitioner's right to a jury trial has not been diminished. Nor is the court's weighing of elements found by a jury unprecedented. For example, when juries, by special interrogatories, answer the factual inquiries on obviousness set forth in *Graham v. John Deere Co.,* 383 U.S. 1, 17 (1966), the court, of necessity, weighs those answers in deciding the issue of obviousness. The petition should therefore be denied.

CONCLUSION

For the foregoing reasons, the petition for writ of certiorari should be denied.

Respectfully submitted,

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CERTIFICATE OF SERVICE

This is to certify that three (3) true and correct copies of the foregoing BRIEF FOR RESPONDENT IN OPPOSITION were served on Petitioner's counsel, Daniel P. Chernoff, Chernoff, Vilhauer, McClung, Birdwell & Stenzel, 200 Wilcox Building, Sixth & S.W. Washington, Portland, Oregon 97204, by first class mail, postage prepaid, on this 8th day of June, 1984.